



Long Term Care University

Long Term Care University – Question of the Month

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10/15/10

Q: Some of the long term care insurance policies I am researching allow for a restoration of benefits. Can you explain what that means and what advantages it may provide?

The Problem – Your Long Term Care Insurance Claim Exhausts a Significant Portion of Your Policy’s Benefits, You Recover and Now Only Have a Modest Amount of Benefits Remaining for Future Long Term Care Insurance Claims

Most long term care insurance policies behave like a savings account that only permits withdrawals. When the insurance company pays your claim it reduces your pool of money (savings account), leaving less money available for future claims. One expensive claim can exhaust the majority of your benefits, leaving you with a fraction of the benefits you would have had otherwise.

The Solution – Restoration of Benefits

Some long term care insurance policies include or provide the option to add a restoration of benefits. If you receive benefits from your pool of money, and then recover and are no longer eligible for benefits for a period of time (180 days with many companies) while your policy is in force, your pool of money will be completely restored to the amount that would have applied if no benefits had been paid. **That’s like a savings account that replenishes itself if you need to take money out for an emergency.** Some companies do not even place a limit on the number of times your benefits can be restored to the full value, as illustrated below.

Policy Without Restoration of Benefits		Policy With Restoration of Benefits	
Initial Pool of Money	\$300,000	Initial Pool of Money	\$300,000
Less Amount Used for a Claim	(\$200,000)	Less Amount Used for a Claim	(\$200,000)
Remaining Pool of Money	\$100,000	Remaining Pool of Money	\$100,000
		Plus Restoration of Benefits – 1 st Time	\$200,000
		New Remaining Pool of Money	\$300,000
Less Amount Used for a Claim	(\$100,000)	Less Amount Used for a Claim	(\$100,000)
Remaining Pool of Money	\$ 0	Remaining Pool of Money	\$200,000
		Plus Restoration of Benefits – 2 nd Time	\$100,000
		New Remaining Pool of Money	\$300,000
		Less Amount Used for a Claim	(\$300,000)
		Remaining Pool of Money	\$ 0
Total Benefits Paid by Policy	\$300,000	Total Benefits Paid by Policy	\$600,000

Action Step – Protect Yourself with Restoration of Benefits

When you purchase a long term care insurance policy with restoration of benefits you gain the right to have the benefits you exhaust restored if you no longer need them for a short period of time (often 180 days). As seen above, this feature can greatly increase the total amount of care for which your policy can pay.

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